



# ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

1021 NORTH GRAND AVENUE EAST, P.O. BOX 19276, SPRINGFIELD, ILLINOIS 62794-9276 • (217) 782-3397

PAT QUINN, GOVERNOR

JOHN J. KIM, INTERIM DIRECTOR

217/782-2027

Mr. Andrew Bielanski  
U.S. Environmental Protection Agency  
State and Tribal Programs Branch  
Region 5 - WS 15J  
77 West Jackson Boulevard  
Chicago, Illinois 60604-3590

Re: Public Water Supply Loan Program  
Annual Report

Dear Mr. Bielanski:

In accordance with the Public Water Supply Loan Program Operating Agreement between the U.S. EPA, Region 5 and the Illinois Environmental Protection Agency, we respectfully submit the Public Water Supply Loan Program Annual Report, which covers the twelve-month period from July 1, 2013, to June 30, 2014.

If you have any questions or comments, please contact me at the telephone number indicated above.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Bingenheimer", written in a cursive style.

Gary Bingenheimer, Acting Manager  
Infrastructure Financial Assistance Section  
Bureau of Water

Attachment



GWB:Grants\Annual Report/2014/pwsannualreport cover letter 2014.doc

Bcc: Gary Bingenheimer, w/ attachment  
Cap Grant File, w/ attachment



**PUBLIC WATER SUPPLY LOAN PROGRAM**

**ANNUAL REPORT**

**July 1, 2013 – June 30, 2014**

**Prepared by the**

**Illinois Environmental Protection Agency**

**For the U.S. EPA Region V**

**December, 2014**

## **Table of Contents**

- I. Introduction
- II. Abstract
- III. Goals and Accomplishments
  - A. Conditions of the Capitalization Grant Agreement
    - 1 Outputs and Outcomes of the IUP
    - 2 Specific Goals and Accomplishments of the IUP
    - 3 Green Project Reserve (GPR) Requirement
    - 4 Additional Subsidy Requirement
    - 5 Certifications
- IV. Program Funding
  - A. Source of Funds
  - B. Binding Commitments
  - C. Disbursements
  - D. Fiscal Status of the Fund
- V. Program Requirements
  - A. Financial Reports
  - B. DBE Reports
  - C. Single Audit Act
  - D. Generally Accepted Auditing Standards and Accounting Principles
- VI. Attachments
  - A. DWSRF Loan Awards and Amendments for the Reporting Period
  - B. Financial Statements

# **PUBLIC WATER SUPPLY LOAN PROGRAM**

## **ANNUAL REPORT: July 1, 2013 – June 30, 2014**

### **I. Introduction**

In accordance with Title XIV of the 1996 Safe Drinking Water Act as amended (SDWA); the Public Water Supply Loan Program (PWSLP) and Loan Support Program (LSP); and the Operating Agreement (OA) between the Illinois Environmental Protection Agency (IEPA) and the United States Environmental Protection Agency (U.S. EPA), this Annual Report addresses the activities and goals of the PWSLP that were achieved during the 12 month period from July 1, 2013 to June 30, 2014, which is considered the State of Illinois fiscal year for 2014.

### **II. Abstract**

During the applicable reporting period, the U.S. EPA awarded Illinois EPA their FY 2013 federal capitalization grant in the amount of \$31,786,000 from the Drinking Water State Revolving Fund (DWSRF) for use in the PWSLP. Illinois EPA's FY 2014 capitalization grant was not awarded during the reporting period covered by this report. The Illinois EPA subsequently provided \$6,357,200 as the 20% state match required to access this capitalization grant. Also during this reporting period, the IEPA received \$44,281,986 in repayment principal, \$4,294,058 in repayment interest, and \$1,421,998 from interest on cash (on hand and in banks) and other miscellaneous receipts. Illinois EPA will set aside \$320,000 of the FY 2013 federal capitalization grant for In Kind services to be provided by Northbridge for Financial Services and continued work on the Loan Grant Tracking System. This amount will be deducted from our 4% administrative set aside (\$1,271,440) and Illinois will use the remaining \$951,440 to fund regular administrative costs of the program.

During the reporting period, the IEPA entered into twenty nine (29) binding commitments (new loans), with those loan awards totaling \$159,760,510.31. All new loans for the period July 1, 2013 through June 30, 2014 are summarized within Attachment A. In addition, the IEPA executed twenty-two (22) loan amendments with a total dollar value of \$24,423,777.99. Loan amendments for the period are also summarized within Attachment A.

### **III. Goals and Accomplishments**

#### **A. Conditions of the Capitalization Grant Agreement**

The Illinois EPA has agreed to administer the PWSLP in accordance with the special conditions of each capitalization grant agreement awarded by the U.S. EPA, and with the various components of the grant application, which include the Intended Use Plan (IUP) and the Operating Agreement. The Illinois EPA has maintained compliance with all cash draw rules, including separation of cash draws by the PWSLP from other U.S. EPA funded programs. Cash draw projections have been reviewed and revised by the Illinois EPA, based on the availability of funds and changes to the IUP. Proportionality will be maintained not only on deposits into the PWSLP but also on expenditures out of the PWSLP.

As the recipient of funds under the Drinking Water State Revolving Fund (DWSRF), the Illinois EPA also has agreed to provide pertinent information regarding a number of key project characteristics, milestones and environmental/public health protection results in a number of specific areas including:

1. Outputs and Outcomes of the Intended Use Plan (IUP)

Both short and long term goals for the PWSLP were outlined by the Illinois EPA in the FY 2014 Intended Use Plan (IUP). Specific discussion regarding those goals is provided in Section A (2) below; with this section providing additional information on PWSLP outputs and outcomes in terms of the specific indicators as currently defined by state and federal agreements for the PWSLP. These indicators are as follows:

- **Number of Drinking Water Loans** – During the reporting period, the Illinois EPA executed a total of twenty-nine (29) new drinking water loans via the PWSLP. This amount is a decrease of one (1) loan from the prior reporting period. The IEPA is continuing its efforts to maximize the use of financial and program resources in the SRF programs.
- **Dollar Value of Drinking Water Loans** - During the reporting period, the Illinois EPA executed drinking water loans with a total dollar value of \$159,760,510.31 via the PWSLP. This amount is an increase of \$70,456,086.31 from the prior reporting period. This increase reflects the IEPA's move towards leveraging as necessary to provide monies to meet loan demand which has also resulted in the elimination of caps on funding to individual loan recipients and more large individual loans being issued.

2. Specific Goals and Accomplishments of the IUP

A number of short and long term goals for the PWSLP were outlined by the Illinois EPA in the FY 2014 Intended Use Plan (IUP). Provided below is a restatement of those goals, along with a brief discussion regarding the achievement of each of the specific goals and the associated outputs and outcomes.

Short Term Goals

- a. To provide funding for as many eligible projects as possible, to the extent that applications are completed and funds are available;  
**The IEPA provided funding for twenty nine (29) projects in the reporting period, including all projects for which complete applications were received.**
- b. To commit all available loan resources to eligible loan applicants;  
**The IEPA committed a total of \$184,184,288.30 (net) in new loan resources during the reporting period. Any uncommitted loan funds were made available for commitment later in the reporting period.**



- c. To provide financial assistance for projects necessary to achieve or maintain compliance;  
**The IEPA has continued its focus on projects necessary to achieve or maintain compliance and will continue to review procedures with any eye towards focusing on such projects.**
- d. To continue support for projects or project components focused on “green infrastructure, water or energy efficiency improvements or other environmentally innovative activities”, and to attempt to commit not less than 20% of capitalization funds provided to projects meeting the definitions developed there under;  
**The IEPA has continued its support for projects and project components focused on “green infrastructure, water or energy efficiency improvements or other environmentally innovative activities” as previously required by prior year federal capitalization grants. While the relevant capitalization grant for the reporting period did not include a Green Project Reserve (GPR) funding requirement, the Agency is taking steps to institutionalize certain green infrastructure practices and policies in the Illinois SRF programs, including the PWSLP.**
- e. To manage a program that provides applicants with a streamlined approach to financing public water supply projects;  
**The IEPA is continuing efforts to improve program operations through the use of best management practices in the administration of the program and has engaged a program consultant to further define and implement those improvements.**
- f. To further the administrative capabilities of the PWSLP, including conversion of the current computer system from D-Base to a Windows based system.  
**Illinois EPA continued implementation activities associated with the conversion of the current D-Base computer system (FAS) to a Windows based system, the Loan and Grants Tracking System (LGTS), during this reporting period. The Windows based system, LGTS, has been deployed and FAS was turned off as of June 30, 2014.**

#### Long Term Goals

- a. To provide a stable and perpetual financing source for eligible public water supply systems within the State and to commit all available loan resources to those eligible loan applicants;  
**The IEPA has established a revolving loan program, the PWSLP, that it believes will operate in perpetuity for the benefit of public water supplies and other eligible loan applicants in Illinois.**

- b. To provide financial assistance to all types of projects eligible under the Safe Drinking Water Act (SDWA) and the State enabling legislation;  
**As detailed in Attachment A, the IEPA has established a program which consistently provides financial assistance to all types of eligible projects under the PWSLP.**
- c. To provide financial assistance to local government units and certain privately owned water utilities at interest rates significantly below those offered on the open market;  
**The IEPA executed a total of twenty nine (29) loans during the reporting period, with interest rates offered during this reporting period being: 1.93 percent (1.93%) for loans executed between July 1, 2013 and September 30, 2013, and 1.995 percent (1.995%) for loans executed between October 1, 2013 and June 30, 2014.**
- d. To maintain the integrity of the Water Revolving Fund;  
**The IEPA will continue to strive to operate in a way that will ensure the integrity of the Water Revolving Fund is maintained.**
- e. To continue the development of the Water Revolving Fund as a major financial vehicle for public water supply systems achieving compliance with State and federal law;  
**The IEPA's efforts continue in exploring best practices that will contribute to continued growth and stability in the fund. The IEPA has engaged a program consultant to further define and implement best management practices in the PWSLP and will emphasize compliance issues in project prioritization systems that are under development.**
- f. To explore the expansion of eligibility to address issues of water efficiency, energy efficiency and green infrastructure and to develop new eligibility requirements to accommodate expanded eligibilities in the base SRF program; and  
**The IEPA's efforts continue in exploring new ideas and practices that will contribute to continued growth in the number and types of projects considered by the PWSLP. Specifically, the IEPA has recently engaged a program consultant to further define and implement best management practices in the PWSLP.**
- g. To contribute to the long-term recovery of the economy by creating and preserving sustainable jobs in communities across the state.  
**The IEPA executed new loans totaling \$159,760,510.31 during the reporting period, an amount that can be loosely projected to have contributed to the creation or retention of nearly 1,390 jobs in Illinois during the reporting period.**

### 3. Green Project Reserve (GPR) Requirement

As required by prior capitalization grant agreements, the IEPA has utilized portions of capitalization grant funds provided in recent years to furnish support for projects or project components that focus on “green infrastructure, water or energy efficiency improvements or other environmentally innovative activities”. The IEPA has previously certified that specific portions of capitalization grant funds provided under Drinking Water State Revolving Fund (DWSRF) allocations were committed to projects meeting the definitions for the Green Project Reserve (GPR), developed under guidance provided by the USEPA, and required as a component of capitalization grant agreements.

The capitalization grant agreements for FY 2013; the active grant during this reporting period, contained no GPR requirement, and while the IEPA continues to encourage projects and project components that are focused on water and energy efficiency, and to explore new ideas and practices designed to promote the use of GPR elements in water infrastructure projects; no specific accounting of the GPR base has been maintained for this reporting period. The IEPA will continue to explore new ideas and practices that will contribute to continued growth in the number and types of projects considered by the PWSLP.

### 4. Additional Subsidy Requirement

As required by the capitalization grant agreement for FY 2013, the effectively active federal grant during this reporting period, the IEPA has stated that it will comply with the statutory requirements of the Safe Drinking Water Act and the enabling legislation, and with other requirements that were promulgated through guidance or regulations issued by the USEPA, including the “additional subsidy” requirement. To meet the additional subsidy requirement in the FY 2013 capitalization grant agreement, the IEPA utilized a principal forgiveness program that targeted all recipients of PWSLP loan funding during federal FY 2013, extending from October 1, 2012 through September 30, 2013. The principal forgiveness was provided retroactively via loan amendments executed on November 26, 2013.

All loan recipients from October 1, 2012 through September 30, 2013 were eligible for principal forgiveness of 25% of the loan amount to a maximum of \$800,000. Those recipients with a Median Household Income (MHI) less than 75% of the statewide average MHI were eligible for principal forgiveness subsidies equal to 30% of the original loan amount to a maximum of \$800,000.

The Agency decided to provide an amount of principal forgiveness as close as possible to the minimum amount required by the federal capitalization grant. The appropriate percentages detailed above were applied to each loan eligible for principal forgiveness. The amount of principal forgiveness to be provided was then pro-rated downward so that the total final amount of principal forgiveness provided was near the total minimum amount required. The IEPA hereby certifies and assures that the PWSLP, through the use of a principal forgiveness program, has provided additional subsidization to loan recipients in a total amount

of \$6,357,529 which is more than the required minimum of \$6,357,200, but not more than the maximum allowed of \$9,535,800 per the FY 2013 capitalization grant.

The final project list for this reporting period (Attachment A) was constructed to demonstrate the commitment of funding to loans from the PWSLP during this specific reporting period (July 1, 2013 – September 30, 2014). As a result, Attachment A also provides specific amounts of principal forgiveness provided via loan amendments executed November 26, 2013.

#### 5. Certifications

The Illinois EPA has provided the necessary certification from the Illinois Attorney General, for each capitalization grant received, that the Illinois EPA can legally bind itself to the terms of the capitalization grant, and in accordance with the Drug-Free Workplace Act of 1988, the Illinois EPA has instituted a Drug-Free Workplace Policy. This policy encourages any Illinois EPA employee with a potential drug or alcohol problem to use the State Employee Assistance Program. Also, by accepting the most recent capitalization grant (FY 2013), the Illinois EPA has certified again that it will comply with the requirements of the Anti-Lobbying Act. And finally, the Illinois EPA certifies, and has previously certified that all assistance made available under the PWSLP was provided under terms and conditions requiring compliance with the Davis-Bacon Wage Act as specified in the appropriations for the Drinking Water SRF. In short, the Illinois EPA has established a program which will lead to adherence to all objectives and conditions of each capitalization grant received.

### IV. Program Funding

#### A. Source of Funds

##### 1. Capitalization Grant

The federal FY 2013 capitalization grant to the IEPA and the PWSLP was awarded on September 17, 2013 in the amount of \$31,786,000.

The Illinois EPA realizes that federal draw-downs must be proportional to state match draw downs. The Illinois EPA draws 100 percent of the administrative costs from the federal letters of credit and offsets this by drawing down a lesser amount for project construction costs. The 2013 grant provides \$320,000 of In Kind Contractual Services by Northbridge Environmental Consultants to provide financial services and continued work on the Loan Grant Tracking System. The Illinois EPA has deducted this amount of In Kind from its 4% administrative set aside and has set aside \$951,440 of the grant for Administrative costs. The Agency monitors this activity on a monthly basis to ensure proportionality, and has set aside both cost categories under the FY 2013 grant award.

2. State Matching Funds

State matching funds totaling \$20,308,800 were made available during the reporting period, raising the total of new capitalization funds available to a total of \$60,963,600 (federal and state resources combined). Please note that these funds were received as the result of the State of Illinois completing a state match bond sale (Series 2013) in December 2013, with the bond resources resulting from that sale, and future bond sales accomplished under the Master Trust, providing a stable and predictable source for state match both now and in the future. The appropriate authorization for state match has been included in IEPA appropriations, making all awarded capitalization grant money, after the set aside for administrative costs, available for binding commitments during the reporting period.

3. Repayments and Fund Equity

The IEPA will commit all loan repayment funds and fund equity resources to the PWSLP for binding commitments.

4. Leveraging

During 2014, the Illinois EPA completed the development of an extensive leveraging program (Series 2013), and subsequently completed a state bond sale in December of 2013. This bond sale refinanced the two previous bonds (Series 2002 and 2004) and provided \$20,308,800 of Drinking Water State Match for our federal Drinking Water Grants 2011-2013. The Master Trust indenture will be used for future leveraged bond sales as proceeds are needed on a cash flow basis to fund the needs of the program and to provide state match for future grants.

B. Binding Commitments

During the reporting period, the IEPA entered into twenty nine (29) binding commitments (new loans), with those loan awards totaling \$159,760,510.31. All new loans for the period July 1, 2013 through June 30, 2014 are summarized on Attachment A. In addition, the IEPA executed twenty two (22) loan amendments with a total dollar value of \$24,423,777.99. Loan amendments for the period are also summarized on Attachment A.

C. Disbursements

Disbursements made to loan recipients during this reporting period totaled \$89,759,339.

Total expenditures of \$1,886,153 are reported for administrative costs during the reporting period. There were no additional set-aside expenditures.

D. Fiscal Status of the PWSLP

An analysis in this area requires a direct comparison of financial data including revenues, expenditures, PWSLP sources and uses, and PWSLP balance (see Attachment B, Financial Statements). The Illinois EPA has established operating procedures and management tools that will assure that the program is capable of operating in perpetuity. Most projects receiving loans from the PWSLP will require a semi-annual repayment of principal and/or interest over a maximum term of 20 years. Loans made to “private” utilities are required to make repayments on a quarterly basis over the life of the loan.

**V. Program Requirements**

A. Financial Reports

The Illinois EPA has submitted the Federal Cash Transaction Report (FCTR) on a quarterly basis and the Financial Status Report (FSR) on an annual basis.

B. DBE Reports

The Illinois EPA has complied with the semi-annual reporting requirements of the DBE program.

C. Single Audit Act

The Illinois EPA has complied with the requirements of the Single Audit Act and the resulting audit report contained no material findings related to the PWSLP.

D. Generally Accepted Auditing Standards and Accounting Principles

The Illinois EPA has complied with Generally Accepted Government Auditing Standards (GAGAS) and all loan recipients are required to comply with Generally Accepted Accounting Principles (GAAP).

Attachment A

PWSLP Loans and Amendments for the Reporting Period

7 Pages





## Public Water Supply Loan Program - Annual Report - Attachment A

Loan Agreements and Amendments 7/1/2013 through 6/30/2014

Project Number	Party	Agreement Date	Agreement Amount	Forgiveness Amount	Project Description
L174879	Altona	8/1/2013	\$ 45,738.00	\$ 13,148.00	This project consists of the following improvements to the Village of Altona Public Water Supply: Sandblast, clean and repaint 50,000 gallon elevated water storage tank; Miscellaneous repairs and appurtenances and restoration.
L174826	Bond Madison Water Company	9/16/2013	\$ 425,303.41	\$ 101,881.00	This loan will fund the purchase and installation of roughly 2,300 new, wireless radio-read water meters, handheld receiver(s) for receipt and download of the data in addition to software for the billing program.
L175182	Bond Madison Water Company	2/27/2014	\$ 168,978.50	\$ -	This loan will fund the preparation and repainting of the Livingston water tank. Work will include painting of all interior and exterior surfaces, pit and seam welding, seam and pit filling in addition to any grinding or chipping required. No permit is required for this work. Project planning was approved with Radio Read Meter project L174826.
L175198	Buckley	4/14/2014	\$ 478,622.00	\$ -	The project consists of improvements to the Village of Buckley Public Water Supply including a new 150 gallon per minute Well No. 5, new water main, water main replacement work and fittings, valves, taps and miscellaneous appurtenances and restoration
L173767	Chicago	5/9/2014	\$ 49,806,544.00	\$ -	<ul style="list-style-type: none"> <li>-Replacement of the obsolete electrical switchgear and distribution equipment with current technology equipment at the South Water Purification Plant.</li> <li>-Installation of five new diesel generators and associated control and distribution equipment to provide power to the SWPP in the event of a utility power failure.</li> <li>-Construction of a new building to house the installation of the new diesel generator equipment.</li> <li>-Minor architectural, electrical, and HVAC revisions to the existing facilities in order to comply with current building codes.</li> </ul>
L175025	Chicago	9/3/2013	\$ 15,000,000.00	\$ -	Loan funds will be utilized to install water meters at residences throughout the City that are currently unmetered. Installations will be performed by a private contractor. Meters will be equipped with AMR (Automatic Meter Reading) capabilities. Funds will also be used to replace outdated, existing meters with AMR capable units. Loan funds will only pay for installation costs, not water meters. This is part of an ongoing project to meter the entire City. No permit is required for this project.
L175199	Chicago	2/27/2014	\$ 47,000,000.00	\$ -	Replacement of approximately 26 miles of damaged, undersized, leaking and antiquated watermain located throughout the City with new 8-inch diameter watermain. This loan covers a portion of a multi-year project, \$40M of which was approved in the original loan 4865.

## Public Water Supply Loan Program - Annual Report - Attachment A

Loan Agreements and Amendments 7/1/2013 through 6/30/2014

Project Number	Party	Agreement Date	Agreement Amount	Forgiveness Amount	Project Description
L175192	Elmwood Park	4/29/2014	\$ 407,079.70	\$ -	This project (PART I of the construction contract) consists of watermain replacement from Westwood Avenue to Fullerton Avenue. Construction consists of approximately 695 feet of 8-inch diameter water main, approximately 17 feet of 6-inch diameter water main, 3 valve vaults, 3 fire hydrants, water service reconstructions, and miscellaneous appurtenances. Part II of the construction contract covers work be funded by a wastewater loan (L175191). Part III of the construction contract is to be funded by the Village.
L175208	Elmwood Park	6/6/2014	\$ 5,396,136.65	\$ -	This project (Part I of the construction contracts-L175208) consists of watermain replacement for the Westwood Subdivision within two contracts (North & South). Construction consists of approximately 75 feet of 6-inch diameter water main, approximately 9,218 feet of 8-inch diameter water main, approximately 3,534 feet of 12-inch diameter water main, and miscellaneous appurtenances. Part II of the North and South construction contracts covers work to be funded by a wastewater loan (L175207).
L174820	Evanston	3/24/2014	\$ 1,578,976.73	\$ -	Install an intake heating device on the 48-inch diameter intake pipe structure. Replace the zebra mussel control system by installing a new chlorine carrier pipe, chlorine solution pump, valves, controls and related appurtenances.
L174296	Evergreen Park	7/26/2013	\$ 2,684,246.00	\$ 643,011.00	The project will include the removal and replacement with new, or refurbishing and replacement with rebuilt, of approximately 7,260 existing water meters in the Village of Evergreen Park, including the installation of an Automatic Meter Reading System.
L175036	Fairbury	1/13/2014	\$ 235,872.00	\$ -	The project consists of purchasing and installing 1,018 automatic read replacement water meters and 173 interpreter registers. The City of Fairbury plans to use City employees to install all new meters and registers. Work performed by City employees is not a loan eligible cost and cannot be paid with IEPA loan funding.
L171474	Franklin	9/30/2013	\$ 521,712.92	\$ 124,976.00	This project consists of the following improvements to the Village of Franklin's Public Water Supply System: Construction of 730 linear feet of 8-inch diameter water main, 325 linear feet of 6-inch diameter water main, a 125,000 gallon elevated storage tank with instrumentation, controls, and a telemetry system, all connections, miscellaneous appurtenances and restoration.

## Public Water Supply Loan Program - Annual Report - Attachment A

Loan Agreements and Amendments 7/1/2013 through 6/30/2014

Project Number	Party	Agreement Date	Agreement Amount	Forgiveness Amount	Project Description
L174866	Gilberts	9/30/2013	\$ 710,657.00	\$ 170,238.00	<p>The project consists of construction of a radium/barium removal system and includes the following specific components:</p> <ul style="list-style-type: none"> <li>- Diversion control system consisting of a salinity monitoring system and isolation/diversion valves.</li> <li>- Chemical feed system including two storage vessels, feed pumps and inlet control/sludge dispensing valves.</li> <li>- Treatment reactor system consisting of two treatment vessels and static mixers.</li> <li>- Conditioning system consisting of a transfer pump, an unloader/feeder, a blending tank with mixer and a monitoring system.</li> <li>- Dewatering system consisting of transfer pumps, two sludge storage tanks, a dewatering press with feed pumps and compressor, and a self dumping sludge hopper.</li> <li>- Motorized counterbalance forklift, supervisory control system, electrical, piping, miscellaneous appurtenances and all necessary site restoration to make the project complete and operational.</li> </ul>
L174580	Glen Carbon	9/30/2013	\$ 3,008,557.40	\$ 720,700.00	<p>The project consists of improvements to the public drinking water system, which includes: construction of approximately 15,001 feet of 12-inch diameter and 68 feet of 8-inch diameter water main, a metering station and connection to the Maryville water distribution system (contract #1); construction of a 500,000 gallon capacity elevated water storage tank (contract #2); construction of booster pump station #3, upgrades to the controls and electrical systems at booster pump stations #1 and #2, and installation of an emergency electrical generator at booster pump station #2 (contract #3); along with all necessary piping, hydrants, valves, fittings, buildings, electrical systems, controls, appurtenances, street repairs, site restoration and seeding associated with each contract.</p>
L173019	Hoopeston	8/22/2013	\$ 2,536,692.00	\$ 729,197.00	<p>The project includes rehabilitation of the existing 150,000 gallon elevated water tower and 500,000 gallon ground storage tank, and construction of a new package aeration treatment unit at the Water Treatment Plant. Construction consists of new vents, hatches, surface preparation and coating of the interior and exterior of both storage tanks, and other necessary appurtenances to complete the rehabilitation of both tanks. Construction of the new package aeration unit includes an 1,800 gallon per minute draft aerator, a 50,400 gallon detention tank, blower, site piping, electrical, controls and other appurtenances to complete the project.</p>

## Public Water Supply Loan Program - Annual Report - Attachment A

Loan Agreements and Amendments 7/1/2013 through 6/30/2014

Project Number	Party	Agreement Date	Agreement Amount	Forgiveness Amount	Project Description
L174910	Knoxville	2/27/2014	\$ 354,412.40	\$ -	Contract No. 1: Supply 680 residential water meters with an absolute encoder register for use with a mobile AMR system; supply 600 absolute encoding registers for retrofit on the existing Badger Model 25 meters for use with a mobile AMR system; supply a lap top computer with software to provide a complete drive-by mobile reading system.  Contract No.2: Install 680 new residential water meters with new registers and install new registers on 600 existing meters.
L174814	Leyden Township	9/23/2013	\$ 1,286,142.00	\$ 308,095.00	The project consists of improvements to the public water supply system of the Leyden Township Water District. The work entails the demolition of the existing pump station, chlorination facilities, and generator. A new pump station will be constructed, consisting of a new masonry building, five 440 gallons per minute pumps, motors, electrical and instrumentation equipment, chlorination facilities, controls, stand-by generator, valves, piping, and appurtenances. New lighting, fencing, paving, restoration, and security items for the entire facility site will also be constructed. Additionally, the project includes the rehabilitation, upgrading and painting of the existing 1,000,000 gallon ground storage reservoir.
L172837	Lost Lake Utility District	1/22/2014	\$ 126,422.00	\$ -	Loan funds will be utilized to drill and develop an additional well adjacent to the existing treatment facility. This is Phase I of a multi-phased water system improvement project.
L174941	Montgomery	4/29/2014	\$ 2,570,986.00	\$ -	The project consists of improvements to the distribution system of the Village of Montgomery to replace aging and undersized water mains and to loop dead end water mains. The project is titled the "Boulder Hill Water Main Improvements--Contract B" and includes the following:  -- 8,478 linear feet (LF) of 8-inch diameter ductile iron water main -- 4,137 LF of 1-inch diameter water service pipe -- Water service reconections -- Fire hydrants -- Valves, fittings, testing and miscellaneous appurtenances -- Restoration of all areas to pre-construction conditions

## Public Water Supply Loan Program - Annual Report - Attachment A

Loan Agreements and Amendments 7/1/2013 through 6/30/2014

Project Number	Party	Agreement Date	Agreement Amount	Forgiveness Amount	Project Description
L174590	Oak Lawn	9/30/2013	\$ 12,689,237.00	\$ 766,560.00	This project is the first of several upgrade and improvement projects to the Oak Lawn Regional Water System. Specifically, this project labeled "Modifications at Harker Complex" includes improvements to the Harker Storage and Pumping Complex. The work consists of the replacement of an existing pump with a new 12,000 gallons per minute pump, installation of new valves and discharge piping for five existing wet well pumps, wet well modifications, electrical upgrades including a new electrical room, stand-by power generator, new surge tank and surge protection system, chlorine gas scrubber, groundwater dewatering system, valves, meters, piping, controls, site and building improvements, fencing, paving and miscellaneous appurtenances.
L174806	Port Byron	11/5/2013	\$ 2,925,609.00	\$ -	The recommended water main replacement/extension consists of the following specific improvements: -12,200 lineal feet (l.f.) of 12-inch water main, 10 l.f. of 10-inch water main, 1,100 l.f. of 6-inch water main and 240 l.f. of 4-inch water main. -32 fire hydrant assemblies and 96 gate valves and boxes. -All necessary mobilization, tees, steel casing, reducers, connections/reconnections and site preparation/restoration to make the project complete and operational.
L174593	Roberts	8/1/2013	\$ 950,000.00	\$ 273,087.00	This project consists of the following improvements to the Village of Roberts Public Water Supply: Construction of 325 linear feet of 4-inch diameter water main, 12,050 linear feet of 6-inch diameter water main, connections, miscellaneous appurtenances, and restoration.
L175088	Saline Valley Conservancy District	3/28/2014	\$ 211,682.98	\$ -	The project consists of the construction of approximately 500 linear feet of six-inch diameter PVC watermain, approximately 8,000 linear feet of four-inch diameter PVC watermain , and other appurtenances to complete the U.S Route 45 water main relocation north of Eldorado.
L174623	Sauk Village	1/13/2014	\$ 4,868,923.00	\$ -	The project consists of water treatment plant improvements to WTP No. 1 (which treats water from Well Nos. 1 and 2) including air stripper facilities, iron removal filters, chlorine analyzer, Supervisory Control and Data Acquisition (SCADA) system, emergency generator, backwash tankage, pumps, piping, controls, valves, electrical work, building upgrades, restoration and miscellaneous appurtenances.  Modifications to WTP No. 2 (which treats water from Well No. 3) include air stripper facilities, iron removal filters, emergency generator, pumps, piping, controls, valves, electrical work, building upgrades, restoration, and miscellaneous appurtenances.

## Public Water Supply Loan Program - Annual Report - Attachment A

Loan Agreements and Amendments 7/1/2013 through 6/30/2014

Project Number	Party	Agreement Date	Agreement Amount	Forgiveness Amount	Project Description
L174954	Savanna	9/30/2013	\$ 463,221.96	\$ 133,158.00	The project includes the purchase and installation of roughly 1,485 new, wireless radio-read meters, along with a handheld receiver for receipt and download of the data in addition to software for the billing program.
L175024	Stillman Valley	6/6/2014	\$ 311,750.00	\$ -	Construction of approximately 2,129 feet of 8-inch water main, one valve vault, seven gate valves and four hydrants to provide potable/non-potable water to the new Village wastewater plant.
L173056	West Frankfort	1/22/2014	\$ 732,007.66	\$ -	The project consists of the installation of approximately 6,800 lineal feet (LF) of 6-inch diameter watermain, water service reconstructions, 13 hydrants, approximately 600 LF of sewer and sewer service line reconstructions, and other necessary appurtenances for project completion.
L171468	Winnebago	1/22/2014	\$ 2,265,000.00	\$ -	Construct a new well house for Well #3 to include a new pump rated at 600 gpm@ 400 feet TDH. Install a sodium hypochlorite feed system with a pump and scale; a fluoridation system with a pump and scale; a new SCADA System; and approximately 985 lineal feet of 12-inch diameter water main. Construct a new 400,000 gallon elevated water storage tank. Project also to include all related appurtenances, piping, controls, and restoration.

Loan Agreements below were awarded outside of the State Fiscal Year July 1, 2013 - June 30, 2014 covered by this report but within Federal Fiscal Year 2013 for which principal forgiveness was provided to satisfy the FY 2013 capitalization grant requirement.

L173105	Carlock	6/17/2013		\$ 346,620.00	Loan Amendment issued 11-26-2013 to provide Principal Forgiveness
L174865	Chicago	1/29/2013		\$ 766,560.00	Loan Amendment issued 11-26-2013 to provide Principal Forgiveness
L174803	Flanagan	3/7/2013		\$ 131,753.00	Loan Amendment issued 11-26-2013 to provide Principal Forgiveness
L174996	LeRoy	6/10/2013		\$ 57,409.00	Loan Amendment issued 11-26-2013 to provide Principal Forgiveness
L174848	Murdale Water District	6/4/2013		\$ 77,180.00	Loan Amendment issued 11-26-2013 to provide Principal Forgiveness
L173741	Murphysboro	4/8/2013		\$ 760,767.00	Loan Amendment issued 11-26-2013 to provide Principal Forgiveness
L174998	Princeton	12/6/2012		\$ 233,189.00	Loan Amendment issued 11-26-2013 to provide Principal Forgiveness

Total Loan Agreements and Principal Forgiveness: \$ 159,760,510.31 \$ 6,357,529.00

# Public Water Supply Loan Program - Annual Report - Attachment A

Loan Agreements and Amendments 7/1/2013 through 6/30/2014

Project Number	Party	Agreement Date	Agreement Amount	Forgiveness Amount	Project Description
Loan Amendments 7/1/2013 through 6/30/2014					
L174037	Blue Island	8/26/2013	\$ (14,547.00)		Loan Amendment
L174865	Chicago	11/26/2013	\$ 25,000,000.00		Loan Amendment
L173256	Dawson	4/29/2014	\$ (3,892.00)		Loan Amendment
L174161	DuPage County Department of Public Works	4/24/2014	\$ (327,714.97)		Loan Amendment
L174861	DuQuoin	5/12/2014	\$ 6,876.59		Loan Amendment
L174211	Fulton	4/23/2014	\$ (76,966.31)		Loan Amendment
L174050	Greenville	1/21/2014	\$ 30,530.60		Loan Amendment
L174817	Kewanee	2/11/2014	\$ (103,437.00)		Loan Amendment
L174816	Knoxville	4/24/2014	\$ (26,121.47)		Loan Amendment
L172848	Lake Iroquois Association	2/25/2014	\$ (14,180.00)		Loan Amendment
L174996	Le Roy	5/12/2014	\$ (15,285.84)		Loan Amendment
L173736	Merrionette Park	9/4/2013	\$ (24,010.00)		Loan Amendment
L172309	Neponset	4/23/2014	\$ (10,674.68)		Loan Amendment
L174522	North Park Water District	2/21/2014	\$ (16,200.90)		Loan Amendment
L174843	Otter Lake Water Commission	4/23/2014	\$ 20,054.56		Loan Amendment
L173127	Rockford	11/7/2013	\$ 76,305.00		Loan Amendment
L174070	Rolling Meadows	4/24/2014	\$ (73,071.59)		Loan Amendment
L174867	Taylorville	5/12/2014	\$ (18,471.00)		Loan Amendment
L173758	Tuscola	5/12/2014	\$ 57,186.16		Loan Amendment
L174835	Tuscola	2/11/2014	\$ (2,329.16)		Loan Amendment
L173863	Wataga	4/24/2014	\$ (14,814.00)		Loan Amendment
L173270	Waverly	4/24/2014	\$ (25,459.00)		Loan Amendment
Total Loan Amendments:			\$ 24,423,777.99		





Attachment B

Financial Statements

Pages 9, 10 and 11 from Independent Accountants' Report



Illinois Environmental Protection Agency  
Schedule of Assets and Liabilities - Drinking Water - Modified Cash Basis  
June 30, 2014

**Assets**

Cash & Cash Equivalents	
Cash - State Treasurer - DW - Fund 270	\$ 78,428,095.73
Cash & Equivalents - Trustee - DW	2,462,643.02
Cash & Equivalents - Trustee - DW - Restricted	24,521,769.14
Receivables	
Loans Receivable - DW	591,202,159.54
Interest Receivable - DW	9,911,405.23
Loan Support Receivable - DW	421,609.19
Investments - 2013 Bonds - Restricted - DW	14,132,021.94
	<hr/>
	721,079,703.79
Deferred Outflow of Resources - Deferred Amount on Bond Refunding	587,423.49
	<hr/>
Total Assets	<u><u>721,667,127.28</u></u>

**Liabilities, Deferred Inflow of Resources and Net Position**

Bonds Payable	
Bonds Payable - Current - DW	8,010,212.00
Bonds Payable - Non Current - DW	42,596,467.50
Unamortized Bond Premiums (Discounts) - Current - DW	1,349,665.08
Unamortized Bond Premiums (Discounts) - Non Current - DW	3,950,525.43
Interest Payable on Bonds - DW	1,293,472.90
Accounts Payable & Accrued Liabilities	
Estimated Arbitrage Payable	1,224,467.26
	<hr/>
Total Liabilities	58,424,810.17
Deferred Inflow of Resources - Deferred Amount on Bond Refunding	186,935.74
	<hr/>
Total Liabilities and Deferred Inflow of Resources	58,611,745.91
Net Position	
USEPA Capitalization Grants - DW	461,877,664.40
USEPA Capitalization Grants - ARRA - DW	39,579,569.00
State Match - DW	110,285,899.94
Debt Service - DW	24,489,396.87
Unrestricted - DW	26,822,851.16
	<hr/>
Total Net Position	<u><u>663,055,381.37</u></u>
Total Liabilities and Net Position	<u><u>\$ 721,667,127.28</u></u>

See independent accountants' report.



Illinois Environmental Protection Agency  
Income and Expense Schedule - Drinking Water - Modified Cash Basis  
Month and Year Ended June 30, 2014

	<u>Current Month</u>	<u>Year-to-Date</u>
Operating Revenues		
Miscellaneous Revenue - DW	\$ -	\$ 17.20
Total Interest Earned (LS02) - DW	434,669.00	5,505,730.20
Loan Support Billed (LS02) - DW	<u>393,031.42</u>	<u>4,403,029.79</u>
Total Operating Revenues	827,700.42	9,908,777.19
Operating Expenses		
Administrative Expense - Payroll - DW	141,215.34	1,679,349.98
Administrative Expense - Miscellaneous - DW	482,273.52	606,295.40
Loan Support Expense - Payroll - DW	220,862.48	2,663,052.68
Loan Support Expense - Miscellaneous - DW	51,804.73	505,830.70
Compliance Grants - DW	-	(46,243.07)
Principal Forgiveness	<u>2,221,600.00</u>	<u>12,790,423.00</u>
Total Operating Expenses	<u>3,117,756.07</u>	<u>18,198,708.69</u>
Total Operating Income (Loss)	(2,290,055.65)	(8,289,931.50)
Non-Operating Revenues		
Interest on Cash - State Treasury - DW	31,967.73	279,006.75
Interest on Unpledged Repayments - Trustee - DW	-	2,035.66
Interest on Trustee Funds 2002 - DW	(120,454.28)	937,790.90
Interest on Trustee Funds 2004 - DW	21.56	585,221.22
Interest on Trustee Funds 2013 - DW	9,534.56	9,534.56
Interest on Arbitrage Investments - DW	94.37	94.37
Gain(Loss) on Investment Sales - DW	(5,197.73)	(9,270.64)
AIG Termination Fee - DW	-	1,093,033.20
Drawdowns - Loans - DW	22,470,484.54	58,229,461.54
Drawdowns - Administrative - DW	<u>535,692.40</u>	<u>2,183,046.40</u>
Total Non-Operating Revenues	22,922,143.15	63,309,953.96
Non Operating Expenses		
Bond Interest Expense - DW	(544,460.23)	1,302,725.16
Trustee Expense - DW	-	5,250.00
Amortization of Deferred Refunding Amount - DW	51,942.84	51,942.84
Arbitrage Expense - DW	131,523.66	972,781.95
Arbitrage Calculation - DW	-	5,800.00
Bond Issuance Costs - DW	<u>-</u>	<u>602,162.32</u>
Total Non-Operating Expenses	<u>(360,993.73)</u>	<u>2,940,662.27</u>
Total Non-Operating Income (Loss)	<u>23,283,136.88</u>	<u>60,369,291.69</u>
Net Income (Loss)	20,993,081.23	52,079,360.19
Net Position, Beginning of Period	<u>642,062,300.14</u>	<u>610,976,021.18</u>
Net Position, End of Period	<u>\$ 663,055,381.37</u>	<u>\$ 663,055,381.37</u>

See independent accountants' report.



Illinois Environmental Protection Agency  
Cash Flow Schedule - Drinking Water - Modified Cash Basis  
Year Ended June 30, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash receipts from interest on program loans	\$ 4,436,451.14
Cash receipts from loan support on program loans	4,436,448.26
Cash receipts from miscellaneous sources	17.20
Cash payments for miscellaneous services	(666,390.63)
Cash payments to employees for services	(4,342,402.66)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>3,864,123.31</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Administrative grants (LOC Drawdowns for Admin)	1,783,554.00
Grants Received (LOC Drawdowns)	58,229,461.54
Bond Principal Payments	(3,101,070.00)
Interest Paid on Bonds	(1,028,742.17)
Proceeds from borrowing, net of underwriter's discount	56,402,688.75
Payments to Trustee for Future Bond Debt Service Maturities	(37,702,575.15)
Other Bond Issuance Costs	(268,279.01)
AIG Termination Fee	1,093,033.20
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>75,408,071.16</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Investments	(120,411,492.13)
Program Loans - Disbursements	(89,759,339.21)
Program Loans - Principal Repaid	38,519,588.90
Proceeds from sale and maturities of investments	126,833,312.71
Cash receipts from interest on funds with the State Treasurer	279,006.75
Interest on Investments (Trustee)	509,422.05
Trustee Expense	(5,250.00)
Arbitrage Calculation Cost	(5,800.00)
Arbitrage Payments for 2002/2004 bonds	(325,214.69)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>(44,365,765.62)</u>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** 34,906,428.85

**CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** 70,506,079.04

**CASH AND CASH EQUIVALENTS AT END OF PERIOD** 105,412,507.89

**RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Income from operations	(8,289,931.50)
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Principal forgiveness	12,790,423.00
Contractual services paid through grant	399,492.40
(Increase) decrease in assets:	
(Increase) Decrease in accounts receivable:	(1,035,860.59)

Increase (decrease) in liabilities:

**NET CASH PROVIDED BY OPERATING ACTIVITIES** \$ 3,864,123.31

See independent accountants' report.

